



MELTON BOROUGH COUNCIL

INTERNAL AUDIT UPDATE

MARCH 2020

Date: **24th March 2020**

Introduction

- 1.1 LGSS provides the internal audit service for Melton Borough Council and has been commissioned to provide 235 audit days to deliver the 2019/20 Annual Audit Plan and undertake other work commissioned by the client.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit and Standards Committee to scrutinise the performance of the Internal Audit Team and to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the Consortium.

Performance

2.1 Will the Internal Audit Plan for 2019/20 be delivered?

LGSS is set the objective of delivering at least 90% of the Internal Audit plans to draft report stage by the end of March 2020.

At the time of reporting, 100% of the Audit Plan is either complete or in progress. The Internal Audit team is on track for delivery of the plan by the end of the financial year.

Progress on individual assignments is shown in Appendix 1.

2.2 Are audits being delivered to budget?

Internal Audit is on target to deliver the Audit Plan within the 235 days budget. Any overruns on individual assignments are managed within the overall budget.

2.3 Are clients satisfied with the quality of the Internal Audit assignments?

Responses received to the Customer Satisfaction Questionnaire show that clients have rated all aspects of the audit assignments completed during the year to date as 'good' or 'outstanding'. A summary of the responses is provided in Appendix 2.

2.4 Is the Internal Audit team achieving the expected level of productivity?

As at week 45, the team had been delivering 94% productivity, against the target set of 90%.

2.5 Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?

At the time of reporting, a further audit from the 2019/20 audit plan has been finalised. The key findings arising are as follows:

Complaints and compliments management

The Council has a Corporate Complaints Policy that aims to ensure complaints are dealt with proactively, efficiently and in a timely manner. The policy has been reviewed and updated and approved at the People Committee on 14th November 2018.

Based upon the sample testing conducted, the key controls of the complaints management process had been met i.e. complaints responded to within timescales and by the relevant officers. Service requests and complaints were captured in a complaints log and the process of investigating complaints and the outcomes was fully recorded. Complainants had received a timely response and an explanation of the outcome of their complaint.

Despite the key controls being met for stage 1 and stage 2 complaints, some scope to further improve the complaints management process has been identified. This includes acknowledging all complaints in accordance with the set timescales, accurate recording of complaints and service enquires including its related data, as well as the use of the designed complaints templates.

At the start of the audit it was noted that compliments were not being centrally recorded. Officers have since started using the complaints log to also record compliments received to ensure there is a clear and accurate record of all compliments and complaints received by the Council.

Analysis on root causes of the complaints is not currently undertaken. This is an important area of focus as it should in turn lead to improvements in the service or improvements to the Council's policies.

Key performance indicators (KPIs) are set in accordance with the Council's set priorities as noted in the Corporate Delivery Plan. One of the organisational priorities of the Council is *(OG1) Customer Focus - Delivering quality services to business and residents; understanding what really matters to our customers*. Officer could adopt an additional KPI under this priority in relation to the number of stage 1 and stage 2 complaints responded to within 15 days.

Based upon the findings, Internal Audit has given the following assurance opinions over the management of the associated risks:


Assurance Opinion		
Control environment	Good	●
Compliance	Good	●
Organisational impact	Minor	●

Members can request copies of all final Internal Audit reports from the Head of Internal Audit or Director for Corporate Services at any time.

2.6 Are clients progressing audit recommendations with appropriate urgency?

Since the last committee meeting, 19 actions from audit reports have been completed by officers. At the date of reporting, there are 36 agreed management actions which are overdue for implementation. An analysis of the implementation of actions is provided in Appendix 3. There are two actions which were assessed as 'High' priority which have been overdue for more than three months – full details are provided in Appendix 4.

Appendix 1: Progressing the Annual Internal Audit Plan

KEY
Current status of assignments is shown by 

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Corporate Governance & Counter Fraud												
Procurement compliance	6	1.9			●							
Social housing fraud (consultancy support)	9	6			●							
Key Corporate Controls & Policies												
Key Financial Controls	15	14.1					●					
Complaints and compliments management	12	11.2						●	Good ●	Good ●	Minor ●	See section 2.5
Assets of Community Value	12	11.9						●	Good ●	Satisfactory ●	Minor ●	
Licensing enforcement	12	-		●								Deferred to 2020/21 – replaced with fieldwork on Budgetary Control
Website management (consultancy support)	10	6.2			●							




Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Establishment changes	7	6.5						●	Good ●	Good ●	Minor ●	
Cash handling (consultancy)	10	0.2			●							
Corporate Objective: Place												
S106 monitoring	12	10.9						●	Satisfactory ●	Satisfactory ●	Moderate ●	
Landlord health and safety	16	16						●	Limited ●	Limited ●	Major ●	
Housing repairs (consultancy support)	15	6.3				●						
Contractor health and safety	12	5.6				●						
Environmental maintenance (consultancy)	10	5			●							
Corporate Objective: People												
Effectiveness of case management arrangements	12	14.3						●	Limited ●	Satisfactory ●	Moderate ●	

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Homelessness Reduction Act	10	11					●					

Assignment	Budget	Actual	Comments
Other Client Support			
Advice & Assistance	3	2.1	
Committee Work, Support & Annual Report	15	4.7	
Recommendation Follow-Up	3	2.4	
Client Meetings, AGS/NFI & External Audit, Audit Planning	15	9.8	
Internal Audit Management & Development	21	9.1	




At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members can expect to receive.

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
Substantial ●	There are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended although some minor errors have been detected.
Good ●	There are minor control weaknesses that present low risk to the control environment.	The control environment has largely operated as intended although some errors have been detected.
Satisfactory ●	There are some control weaknesses that present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
Limited ●	There are significant control weaknesses that present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
No ●	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational Impact		
Level		Definition
Major		The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate		The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor		The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

Category of Recommendations

The Auditor prioritises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Priority		Impact & Timescale
High		Action is imperative to ensure that the objectives for the area under review are met.
Medium		Requires actions to avoid exposure to significant risks in achieving objectives for the area.
Low		Action recommended to enhance control or improve operational efficiency.

Appendix 2: Customer Satisfaction

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire (CSQ) to each client with whom there was a significant engagement during the assignment. The Head of Service and the Line Manager receive a CSQ for all assignments within their areas of responsibility. The standard CSQ asks for the client's opinion of four key aspects of the assignment. The responses received in the year to date are set out below.

Aspects of Audit Assignments	N/A	Outstanding	Good	Satisfactory	Poor
Design of Assignment	-	1	5	-	-
Communication during Assignments	-	4	2	-	-
Quality of Reporting	-	3	3	-	-
Quality of Recommendations	1	1	4	-	-
Total	1	9	14	-	-

Appendix 3: Implementation of Audit Recommendations

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last Committee meeting	6	50%	5	22%	8	40%	19	35%
Actions due within last 3 months, but <u>not implemented</u>	4	34%	12	52%	6	30%	22	40%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	2	16%	6	26%	6	30%	14	25%
Totals	12	100%	23	100%	20	100%	55	100%

Appendix 4: 'High' Priority actions overdue for more than three months

Audit Title and Year	Service Area	Issue / Outstanding Action	Update and reason for revised implementation timescale	Officer Responsible	Original Date	Revised Date
Business Continuity Management 2018/19	Cross cutting	Regular testing of Business Continuity Plans	Testing had been scheduled for October 2019 but had to be postponed due to emergency situation (flooding). Revised date yet to be confirmed.	Assistant Director for Strategic Planning and Regulatory Services	31/03/2019	TBC
Right to buy 2018/19	Housing	A policy/procedures should be developed to specify the controls that should be exercised for all right to buy applications.	A draft policy has been produced and is currently awaiting formal approval.	Housing, Welfare & Safer Communities Manager	31/07/2019	TBC

Appendix 5: Limitations and Responsibilities

Limitations inherent to the internal auditor's work

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit and Standards Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to Internal Audit's attention. As a consequence, the Audit and Standards Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.